

HF1133 - 0 - Capital Budget Process Assistance; MMB

Chief Author: **Fue Lee**
 Committee: **State And Local Government Finance And Policy**
 Date Completed: **3/13/2023 8:55:59 AM**
 Agency: **Minn Management and Budget**

State Fiscal Impact	Yes	No
Expenditures	X	
Fee/Departmental Earnings		X
Tax Revenue		X
Information Technology		X
Local Fiscal Impact		X

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions shown in the parentheses.

State Cost (Savings)	Biennium			Biennium		
	Dollars in Thousands	FY2023	FY2024	FY2025	FY2026	FY2027
General Fund	-	476	476	476	476	476
Total	-	476	476	476	476	476
Biennial Total			952			952

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2023	FY2024	FY2025	FY2026	FY2027
General Fund	-	3	3	3	3
Total	-	3	3	3	3

LBO Analyst's Comment

I have reviewed this fiscal note for reasonableness of content and consistency with the LBO's Uniform Standards and Procedures.

LBO Signature: Susan Nelson **Date:** 3/13/2023 8:55:59 AM
Phone: 651-296-6054 **Email:** susan.nelson@lbo.mn.gov

State Cost (Savings) Calculation Details

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions are shown in parentheses.

*Transfers In/Out and Absorbed Costs are only displayed when reported.

State Cost (Savings) = 1-2		Biennium			Biennium	
Dollars in Thousands	FY2023	FY2024	FY2025	FY2026	FY2027	
General Fund	-	476	476	476	476	476
Total	-	476	476	476	476	476
	Biennial Total		952			952
1 - Expenditures, Absorbed Costs*, Transfers Out*						
General Fund	-	476	476	476	476	476
Total	-	476	476	476	476	476
	Biennial Total		952			952
2 - Revenues, Transfers In*						
General Fund	-	-	-	-	-	-
Total	-	-	-	-	-	-
	Biennial Total		-			-

Bill Description

HF 1133, as introduced, appropriates an amount to be determined from the general fund to the Commissioner of Management and Budget (MMB) for expanded capital budget capacity.

First, the bill funds increased capacity at MMB to proactively raise awareness about the capital budget process and provide technical assistance around the requirements associated with receiving general fund or general obligation bond funding for capital projects, with particular focus on nonprofits, American Indian communities, and communities of color that have traditionally not participated in the state capital budget process. The bill also appropriates funds to increase the agency's capacity to coordinate with other state agencies regarding the administration of grant agreements, programs, and technical assistance related to capital projects governed by the provisions of Minnesota Statutes, chapter 16A, and other applicable laws and statutes.

Second, the bill requires that any employee position funded by the appropriation must:

- provide technical assistance and expertise on the capital budget process, state general obligation bonds, compliance requirements that must be met at various stages of capital project development, sustainable building design guidelines, and the interaction and coordination between various disciplines including, but not limited to, architecture, engineering, and construction, that occurs during the development of a capital project; and
- from the initial stages of a qualifying capital project, be available to provide technical assistance to nonprofits and any grantee of state funds for a capital project that qualifies for exemption from the requirements under section 16B.335, subdivision 1, based on construction cost.

Assumptions

In assembling assumptions about administrative effort and cost estimates for this bill as amended, MMB consulted its Debt Management and Budget Services Divisions.

Currently 2 FTEs in the Debt Management Division and 1 FTE in the Budget Services Division have duties that include providing coordination in the state capital budget process and technical assistance with capital investment financing. In order to increase capacity with a particular focus on nonprofits, American Indian communities, and communities of color that have traditionally not participated in the state capital budget process, 2 additional FTEs will be added:

- 1 FTE in the Debt Management Division will provide technical assistance around the requirements associated with receiving general fund or general obligation bond funding for capital projects. This includes coordination with state

agencies to provide assistance as needed regarding grant agreements and program language.

- 1 FTE in the Budget Division will proactively raise awareness about the capital budget process and the requirements associated with applying for and receiving capital budget funding.

Currently no FTEs at MMB provide direct technical assistance about compliance requirements. MMB typically refers detailed questions about compliance requirements to the agencies with the most expertise for the question. For example, sustainable building guidelines are typically referred to staff at the University of Minnesota. Another example is that questions that would require expertise in architecture, engineering, and construction, or relate to MS 16B.335 subdivision 1 exemptions and predesign, are typically referred to staff at the Department of Administration. In order to provide technical assistance at MMB from the initial stages of capital project development, including for sustainable building guidelines and the interaction and coordination between various disciplines including but not limited to architecture, engineering, and construction, as described in Subd. 2, 1 FTE will be added:

- 1 FTE in the Debt Management Division will provide technical assistance including for sustainable building guidelines and the interaction and coordination between various disciplines including but not limited to architecture, engineering, and construction. It is also assumed that this FTE will coordinate with other agencies, including the University of Minnesota and the Department of Administration, in working with projects.
 - o In the 2022 cycle, 30 nonprofit projects were submitted to MMB. With the 1 FTE added in this bill in the Budget Division proactively raising awareness, it is assumed that this number will double in future capital budget cycles to 60 projects. Assuming MMB's roles will expand in this bill as described above per Subdivision 2, it is assumed that 25 hours could be spent with each project. This is 1,500 hours out of 2,080 work hours assumed in the year, or 72% of the time of a new FTE.
 - o The remaining 580 hours, or 28% of time, for the FTE is assumed to be spent working with other projects, such as projects submitted by political subdivisions included in the capital budget process.

The classification assumed for these 3 FTE, 17M in the managerial plan, is the classification of positions in the Budget and Debt Management Divisions that currently assist with the state's capital budget process (executive budget officers and a state program administrator manager senior). The positions are assumed to be hired at the mid-point of the salary range.

Fringe costs for all MMB employee salary costs identified below are assumed to be 32.10 percent of salary, which is the average percentage for all MMB employees as projected in the SEMA4 system in FY 2022. Employee overhead costs are assumed to be 17.17 percent of total salary and fringe costs. Overhead includes costs such as space, laptops and employee technology, phone, supplies, printing, training, and travel. This percentage represents the average percent of MMB's total general fund operating budget spent on non-payroll employee overhead costs in the previous last two fiscal years.

Expenditure and/or Revenue Formula

The calculation for 3 FTEs at MMB: two in the Debt Management Division (one for expanded capital budget capacity and one for compliance requirements expertise and coordination), and one in the Budget Division for expanded capital budget capacity, as described above, is as follows:

Classification: 17M

Number of Positions: 3

Hourly Wage: \$51.06

Hours: 2,080

Annual Salary: $\$51.06 \times 2,080 = \$106,205$

Fringe: $32.10\% \text{ (rate)} \times \$106,205 \text{ (annual salary)} = \$34,092$

Overhead: $17.17\% \text{ (rate)} \times \$106,205 \text{ (annual salary)} = \$18,235$

Total per FTE: \$158,532 (annual salary + fringe + overhead)

Total Cost: \$475,596 (\$158,532 x 3FTE)

Long-Term Fiscal Considerations

Local Fiscal Impact

References/Sources

Agency Contact: Marianne Conboy

Agency Fiscal Note Coordinator Signature: Ronika Rampadarat

Phone: 612-659-6873

Date: 3/10/2023 2:49:26 PM

Email: ronika.rampadarat@state.mn.us